

AMENDED IN ASSEMBLY JUNE 23, 2016

AMENDED IN SENATE APRIL 6, 2016

**SENATE BILL**

**No. 1458**

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**Introduced by Senator Bates**

February 19, 2016

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An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1458, as amended, Bates. Property taxation: exemptions: disabled veterans.

Existing property tax law provides, pursuant to the authorization of the California Constitution, a disabled veteran's property tax exemption for the principal place of residence of a veteran or a veteran's spouse, including an unmarried surviving spouse, if the veteran, because of an injury incurred in military service, is blind in both eyes, has lost the use of 2 or more limbs, or is totally disabled, as those terms are defined, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service. That law defines a veteran for its purposes as a person who, among other things, is serving in or has served in and has been discharged under honorable conditions from service in the United States Army, Navy, Air Force, Marine Corps, or Coast Guard.

~~This bill~~ *This bill, for property tax lien dates for the 2017–18 fiscal year and each fiscal year thereafter,* would expand that definition of veteran to include a person who has been discharged in other than dishonorable conditions from service under those same conditions and who has been determined by the United States Department of Veterans Affairs to be eligible for federal veterans' health and medical benefits.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 205.5 of the Revenue and Taxation Code  
2     is amended to read:

3     205.5. (a) Property that constitutes the principal place of  
4     residence of a veteran, that is owned by the veteran, the veteran's  
5     spouse, or the veteran and the veteran's spouse jointly, is exempted  
6     from taxation on that part of the full value of the residence that  
7     does not exceed one hundred thousand dollars (\$100,000), as  
8     adjusted for the relevant assessment year as provided in subdivision  
9     (h), if the veteran is blind in both eyes, has lost the use of two or  
10    more limbs, or if the veteran is totally disabled as a result of injury  
11    or disease incurred in military service. The one hundred thousand  
12    dollar (\$100,000) exemption shall be one hundred fifty thousand  
13    dollars (\$150,000), as adjusted for the relevant assessment year as  
14    provided in subdivision (h), in the case of an eligible veteran whose  
15    household income does not exceed the amount of forty thousand  
16    dollars (\$40,000), as adjusted for the relevant assessment year as  
17    provided in subdivision (g).

18    (b) (1) For purposes of this section, "veteran" means either of  
19    the following:

20    (A) A person who is serving in or has served in and has been  
21    discharged under other than dishonorable conditions from service  
22    in the United States Army, Navy, Air Force, Marine Corps, or  
23    Coast Guard, and served either in time of war or in time of peace  
24    in a campaign or expedition for which a medal has been issued by  
25    Congress, or in time of peace and because of a service-connected  
26    disability was released from active duty, and who has been

1 determined by the United States Department of Veterans Affairs  
2 to be eligible for federal veterans' health and medical benefits.

3 (B) Any person who would qualify as a veteran pursuant to  
4 subparagraph (A) except that he or she has, as a result of a  
5 service-connected injury or disease, died while on active duty in  
6 military service. The United States Department of Veterans Affairs  
7 shall determine whether an injury or disease is service connected.

8 (2) For purposes of this section, property is deemed to be the  
9 principal place of residence of a veteran, disabled as described in  
10 subdivision (a), who is confined to a hospital or other care facility,  
11 if that property would be that veteran's principal place of residence  
12 were it not for his or her confinement to a hospital or other care  
13 facility, provided that the residence is not rented or leased to a  
14 third party. For purposes of this paragraph, a family member who  
15 resides at the residence is not a third party.

16 (c) (1) Property that is owned by, and that constitutes the  
17 principal place of residence of, the unmarried surviving spouse of  
18 a deceased veteran is exempt from taxation on that part of the full  
19 value of the residence that does not exceed one hundred thousand  
20 dollars (\$100,000), as adjusted for the relevant assessment year as  
21 provided in subdivision (h), in the case of a veteran who was blind  
22 in both eyes, had lost the use of two or more limbs, or was totally  
23 disabled provided that either of the following conditions is met:

24 (A) The deceased veteran during his or her lifetime qualified  
25 for the exemption pursuant to subdivision (a), or would have  
26 qualified for the exemption under the laws effective on January 1,  
27 1977, except that the veteran died prior to January 1, 1977.

28 (B) The veteran died from a disease that was service connected  
29 as determined by the United States Department of Veterans Affairs.

30 The one hundred thousand dollar (\$100,000) exemption shall  
31 be one hundred fifty thousand dollars (\$150,000), as adjusted for  
32 the relevant assessment year as provided in subdivision (h), in the  
33 case of an eligible unmarried surviving spouse whose household  
34 income does not exceed the amount of forty thousand dollars  
35 (\$40,000), as adjusted for the relevant assessment year as provided  
36 in subdivision (g).

37 (2) Commencing with the 1994–95 fiscal year, property that is  
38 owned by, and that constitutes the principal place of residence of,  
39 the unmarried surviving spouse of a veteran as described in  
40 subparagraph (B) of paragraph (1) of subdivision (b) is exempt

1 from taxation on that part of the full value of the residence that  
2 does not exceed one hundred thousand dollars (\$100,000), as  
3 adjusted for the relevant assessment year as provided in subdivision  
4 (h). The one hundred thousand dollar (\$100,000) exemption shall  
5 be one hundred fifty thousand dollars (\$150,000), as adjusted for  
6 the relevant assessment year as provided in subdivision (h), in the  
7 case of an eligible unmarried surviving spouse whose household  
8 income does not exceed the amount of forty thousand dollars  
9 (\$40,000), as adjusted for the relevant assessment year as provided  
10 in subdivision (g).

11 (3) Beginning with the 2012–13 fiscal year and for each fiscal  
12 year thereafter, property is deemed to be the principal place of  
13 residence of the unmarried surviving spouse of a deceased veteran,  
14 who is confined to a hospital or other care facility, if that property  
15 would be the unmarried surviving spouse’s principal place of  
16 residence were it not for his or her confinement to a hospital or  
17 other care facility, provided that the residence is not rented or  
18 leased to a third party. For purposes of this paragraph, a family  
19 member who resides at the residence is not a third party.

20 (d) As used in this section, “property that is owned by a veteran”  
21 or “property that is owned by the veteran’s unmarried surviving  
22 spouse” includes all of the following:

23 (1) Property owned by the veteran with the veteran’s spouse as  
24 a joint tenancy, tenancy in common, or as community property.

25 (2) Property owned by the veteran or the veteran’s spouse as  
26 separate property.

27 (3) Property owned with one or more other persons to the extent  
28 of the interest owned by the veteran, the veteran’s spouse, or both  
29 the veteran and the veteran’s spouse.

30 (4) Property owned by the veteran’s unmarried surviving spouse  
31 with one or more other persons to the extent of the interest owned  
32 by the veteran’s unmarried surviving spouse.

33 (5) So much of the property of a corporation as constitutes the  
34 principal place of residence of a veteran or a veteran’s unmarried  
35 surviving spouse when the veteran, or the veteran’s spouse, or the  
36 veteran’s unmarried surviving spouse is a shareholder of the  
37 corporation and the rights of shareholding entitle one to the  
38 possession of property, legal title to which is owned by the  
39 corporation. The exemption provided by this paragraph shall be  
40 shown on the local roll and shall reduce the full value of the

1 corporate property. Notwithstanding any law or articles of  
2 incorporation or bylaws of a corporation described in this  
3 paragraph, any reduction of property taxes paid by the corporation  
4 shall reflect an equal reduction in any charges by the corporation  
5 to the person who, by reason of qualifying for the exemption, made  
6 possible the reduction for the corporation.

7 (e) For purposes of this section, being blind in both eyes means  
8 having a visual acuity of 5/200 or less, or concentric contraction  
9 of the visual field to 5 degrees or less; losing the use of a limb  
10 means that the limb has been amputated or its use has been lost  
11 by reason of ankylosis, progressive muscular dystrophies, or  
12 paralysis; and being totally disabled means that the United States  
13 Department of Veterans Affairs or the military service from which  
14 the veteran was discharged has rated the disability at 100 percent  
15 or has rated the disability compensation at 100 percent by reason  
16 of being unable to secure or follow a substantially gainful  
17 occupation.

18 (f) An exemption granted to a claimant pursuant to this section  
19 shall be in lieu of the veteran's exemption provided by subdivisions  
20 (o), (p), (q), and (r) of Section 3 of Article XIII of the California  
21 Constitution and any other real property tax exemption to which  
22 the claimant may be entitled. No other real property tax exemption  
23 may be granted to any other person with respect to the same  
24 residence for which an exemption has been granted pursuant to  
25 this section; provided, that if two or more veterans qualified  
26 pursuant to this section coown a property in which they reside,  
27 each is entitled to the exemption to the extent of his or her interest.

28 (g) Commencing on January 1, 2002, and for each assessment  
29 year thereafter, the household income limit shall be compounded  
30 annually by an inflation factor that is the annual percentage change,  
31 measured from February to February of the two previous  
32 assessment years, rounded to the nearest one-thousandth of 1  
33 percent, in the California Consumer Price Index for all items, as  
34 determined by the California Department of Industrial Relations.

35 (h) Commencing on January 1, 2006, and for each assessment  
36 year thereafter, the exemption amounts set forth in subdivisions  
37 (a) and (c) shall be compounded annually by an inflation factor  
38 that is the annual percentage change, measured from February to  
39 February of the two previous assessment years, rounded to the  
40 nearest one-thousandth of 1 percent, in the California Consumer

1 Price Index for all items, as determined by the California  
2 Department of Industrial Relations.

3 *(i) The amendments made to this section by the act adding this*  
4 *subdivision shall apply for property tax lien dates for the 2017–18*  
5 *fiscal year and for each fiscal year thereafter.*

6 SEC. 2. Notwithstanding Section 2229 of the Revenue and  
7 Taxation Code, no appropriation is made by this act and the state  
8 shall not reimburse any local agency for any property tax revenues  
9 lost by it pursuant to this act.

10 SEC. 3. This act provides for a tax levy within the meaning of  
11 Article IV of the Constitution and shall go into immediate effect.